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Korea, Republic of

Grain and Feed

Semi-Annual

2008

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Report Highlights:
The MY 2008/09 wheat import is forecast at 3.2 MMT, up 300,000 MT from last year. A stronger U.S. dollar will put downward pressure on imports of U.S. milling wheat. The MY 2008/09 corn import forecast is lowered to 8 MMT, down 1.0 MMT due to anticipated increases in imported feed wheat and record high ending corn stocks in MY 2007/08. The stronger U.S. dollar will have less of an impact on imports of U.S. corn since there are few alternative suppliers. The 2008 MMA tendering process is underway, but is behind schedule since China has not yet issued export licenses.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
Seoul [KS1]
[KS]

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WHEAT

Production:

The MY08/2009 harvested area is estimated at 2,549 hectares, up more than 30 percent since last year. MY08/2009 production is revised upward to 8,540 metric tons (MT), its highest point since 2004. Official wheat production figures will be released early next year.

Korea: Wheat Production			
Crop Year	Harvested Area (Hectare)	Yield (MT/HA)	Production (MT)
2006	1,738	3.34	5,810
2007	1,928	3.81	7,624
2008 b/	2,549	3.35	8,540

Source: Ministry of Food, Agriculture, Forestry & Fisheries (MIFAFF)
a/ FAS/Seoul estimate; yield is based on five-year average.

Consumption:

Total wheat consumption is forecast to end its two-year long downward slide, rebounding to 3.2 million metric tons (MMT) in MY 08/2009. This increase in consumption is driven by greater prospects for imported feed wheat from the Black Sea region. Meanwhile, milling wheat consumption is expected to remain relatively unchanged in MY 08/2009.

Korea: Post Estimates of Domestic Wheat Use (1,000 MT, July/June)				
Year	2005/06	2006/07	2007/08	2008/09 a/
Milling Wheat b/	2,278	2,255	2,275	2,234
Feed Wheat	1,435	1,063	686	1,000
Total	3,713	3,318	2,961	3,234

Source: Korea Feed Association (KFA) and Korea Flour Millers Industry Association (KOFMIA)
a/ FAS/Seoul forecast
b/ include wheat used for the volume of wheat flour exports, excluding imports of wheat flour.

Wheat Trade:

MY 2008/09 wheat imports (excluding flour) are forecast at 3.2 MMT, up 300,000 MT from last year. This increase, as described above, is attributed to greater feed wheat availability from the Black Sea region. Milling wheat imports will remain steady at 2.2 MMT.

Imports of Australian milling wheat are expected to pick-up this year due to improved production prospects and a weaker Australian dollar. In particular, the Australian dollar has weakened about 10 percent from August 1 to October 31. In contrast, the U.S. dollar was up nearly 40 percent against as of October 27. However, the recent announced currency swap with the United States put downward pressure on the dollar and it is now only up 20 percent from August 1 to October 31.

In light of the anticipated increase in competition from Australia, the import estimate for U.S. milling wheat has been revised downward to 1.2 MMT. The U.S. market share for milling wheat is expected to likewise fall from last year’s high mark of 65 percent back to previous levels around 50 percent.

The availability of GSM-102 financing is expected to minimize lost U.S. sales due to the stronger dollar. Furthermore, demand for GSM will remain strong in the coming year due the ongoing liquidity crunch. It is expected that approximately one-third of imported U.S. milling wheat, or 400,000 MT, will be covered under the GSM program during fiscal year 2009.

According to trade and sales contract data, imports of feed wheat are expected to reach 1.0 MMT in MY 2008/09, up 435,000 MT from last year. Nearly 650,000 MT has been contracted already with delivery through September through January. These contracts were made last May at an average price of $360 per metric ton with optional origin delivery, listing Ukraine as a possible supplier.

Korea: Wheat Imports 1/
(1,000 MT, Customs Cleared Basis)

Marketing Year (July/June)	Feed Wheat	Milling Wheat	Total
03/04	921	2,394	3,315
04/05	1,089	2,385	3,474
05/06	1,536	2,220	3,756
06/07	976	2,298	3,274
07/08	565	2,317	2,882
08/09 a/	1,000	2,225	3,225

Source: Korea Customs Service
1/ This table does not include flour imports and therefore does not exactly match the PSD numbers
a/ FAS Seoul forecast

Korea: Feed Wheat Contracts by Estimated Time of Arrival (ETA) 1/
(Unit: 1,000 MT, as of October 20, 2008)

ETA	Quantity	Price (US$/MT) 2/
Sep. 2008	95	363
Oct.	55	355
Nov.	108	362
Dec.	165	363
Jan. 2009	220	362
Total	643	

Source: Local Grain Traders
1/ Contracts were made in May 2008
2/ Average CNF

Flour Trade:
In contrast to wheat, flour imports have been climbing steadily for the past several years, reaching 76,994 MT in MY2007/08. Canada supplies about a half of all imported flour, while imports of U.S. flour account for a small fraction of the overall total.

The growth in flour trade is in part due to the difference between bulk and container freight prices in years past and more recently with the elimination of the import duty from Jul-Dec 2008. The government will reassess domestic market conditions over the next couple months to determine whether to hold the tariff at zero during the first half of 2009. These developments have made imported flour more price competitive with domestically milled flour.

The Korean government announced plans earlier this year to cushion the impact of rising commodity prices. As part of this plan, the Korea Agro-Fishery Trade Corporation (aT), the state trading entity, purchased 2,000 MT of wheat flour to sell to local end users at cost. The flour was purchased from an Indonesian supplier at an undisclosed price.

Korean wheat flour exports in MY 2007/08 were nearly 55,000 MT, or 73,000 MT on a wheat grain equivalent basis. Japan has been a major importer of Korean wheat flour. The flour is mixed with sugar to avoid paying the higher Japanese import duty. Wheat flour exports are expected to continue their downward trend due to the current economic uncertainties.

PSD figures include wheat flour trade.

Korea: Wheat Flour Imports
(Metric Ton, July/June)

Country	MY2003	MY2004	MY2005	MY2006	MY2007
U.S.A.	955	909	315	594	771
Canada	2,455	10,690	16,416	28,595	35,662
Australia	40	72	1,250	2,510	1,721
China	3,519	7,081	8,510	12,037	27,045
Others	879	2,135	3,272	6,824	11,795
Total	**7,848**	**20,887**	**29,763**	**50,560**	**76,994**
Wheat Basis	10,736	28,573	40,716	69,166	105,328

Source: Korea Customs Service (KCS)

Korea: Wheat Flour Exports
(Metric Ton, July/June)

Country	MY2003	MY2004	MY2005	MY2006	MY2007
Total	79,834	76,764	70,027	61,922	54,740
Wheat Basis	106,445	102,352	93,369	82,563	72,987

Source: Korea Customs Service (KCS)

Wheat PSD

Wheat Korea, Republic of	2006			2007			2008			
	2006/2007			2007/2008			2008/2009			
	Market Year Begin: Jul 2006			Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		Jan Data	
Area Harvested	2	2	2	2	2	2	2	2	3	(1000 HA)
Beginning Stocks	834	659	659	892	621	621	825	504	550	(1000 MT)
Production	6	6	6	8	8	8	7	7	9	(1000 MT)
MY Imports	3439	3341	3343	3092	2900	2987	4600	2750	3375	(1000 MT)
TY Imports	3439	3341	3343	3092	2900	2987	4600	2750	3375	(1000 MT)
TY Imp. from U.S.	1125	1186	1187	0	1500	1508	0	1400	1200	(1000 MT)
Total Supply	4279	4006	4008	3992	3529	3616	5432	3261	3934	(1000 MT)
MY Exports	87	83	83	92	75	73	80	70	70	(1000 MT)
TY Exports	87	83	83	92	75	73	80	70	70	(1000 MT)
Feed Consumption	900	1063	1063	700	700	686	2000	500	1000	(1000 MT)
FSI Consumption	2400	2239	2241	2375	2250	2307	2400	2200	2314	(1000 MT)
Total Consumption	3300	3302	3304	3075	2950	2993	4400	2700	3314	(1000 MT)
Ending Stocks	892	621	621	825	504	550	952	491	550	(1000 MT)
Total Distribution	4279	4006	4008	3992	3529	3616	5432	3261	3934	(1000 MT)
Yield	3.0	3.0	3.0	4.0	4.0	4.0	4.0	4.0	3.0	(MT/HA)
TS=TD			0			0			0	
Comments										
AGR Number										

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Wheat Import Trade Matrix

Import Trade Matrix

Country Korea, Republic of

Commodit Wheat

Time Period	July/June	Units:	1,000MT
Imports for:	2006		**2007**
U.S.	1186	U.S.	1508
Others		Others	
Australia	1019	Australia	691
China	802	China	569
Canada	215	Canada	113
Ukraine	51		
Total for Others	2087		1373
Others not Liste	1		1
Grand Total	3274		2882

Note: Matrix does not include wheat flour imports.

Korea: MY 2008/09 Monthly Wheat Imports by Origin (1,000 MT, based on Customs Clearance)						
Country	U. S.	Australia	Canada	China	Other	Total
Milling Wheat						
2008 July	84	84	12	0	0	180
August	72	55	11	0	0	138
September	96	23	14	0	0	133
Total	**252**	**162**	**37**	**0**	**0**	**451**
Feed Wheat						
2008 July	0	0	0	0	0	0
August	0	0	0	0	0	0
September	0	0	0	0	15	15
Total	**0**	**0**	**0**	**0**	**15**	**15**
Total Wheat						
2008 July	84	84	12	0	0	180
August	72	55	11	0	0	138
September	96	23	14	0	15	148
Total	**252**	**162**	**37**	**0**	**15**	**466**

Source: Korea Customs Service

Korea: Monthly Wheat Use (1,000 MT)				
Month	Feed Wheat		Milling Wheat a/	
	MY 2007/08	MY 2008/09	MY 2007/08	MY 2008/09
July	101	3	166	162
August	93	3	191	146
September	90	3	172	157
Subtotal	**282**	**9**	**529**	**465**
October	89	Na	207	Na
November	77	Na	189	Na
December	69	Na	203	Na
January	66	Na	221	Na
February	43	Na	164	Na
March	24	Na	178	Na
April	20	Na	181	Na
May	9	Na	174	Na
June	5	Na	146	Na
Total	**686**	**Na**	**2,194**	**Na**

Source: KFA and KOFMIA
a/ Milling wheat use data includes wheat flour exports, but excludes the portion used in soy-sauce production

CORN

Production:

Con production for MY 2008/09 is estimated at roughly 84,000 MT. Domestically produced corn is eaten on the cob or as puffed kernels, and accounts for less than 1 percent of total corn consumption. The government will release official production figures around April 2009.

Korea: Corn Production			
Crop Year	Area (HA)	Yield (MT/HA)	Production (MT)
2006	13,661	4.73	64,623
2007	16,981	4.82	83,513
2008 b/	18,366	4.56 a/	83,750

Source: Ministry for Food, Agriculture, Forestry & Fisheries (MIFAFF), National Statistical Office (NSO)
a/ based on five-year average
b/ FAS/Seoul estimate

Consumption:

Total corn consumption for MY 2008/09 is lowered to 8.5 MMT, down 600,000 MT from the earlier estimate. Feed corn consumption is forecast at 6.8 MMT, down 400,000 MT from the previous estimate due to increased feed wheat usage and to a lesser extent increased usage of DDGS and tapioca. Nevertheless, demand for feed corn will remain strong throughout MY 2008/09 as cattle, swine and broiler inventories are forecast to increase marginally in 2009.

Korea: Annual Livestock Ending Stocks (1,000 head)				
Species	2007	2008	2009	% Annual Increase
Cattle	2,653	2,898	3,066	5.8
Swine	8,743	8,263	8,337	0.9

Source: Official USDA PSD data
1/ MIFAFF data for broiler inventories in June of each year

Feed corn is the principal ingredient used in compound livestock feed production, and continues to account for 40-45 percent of total compound feed ingredients. MY 2008/09 compound feed production is forecast at 16.5 MMT, slightly up from last year in response to projected increases in domestic livestock inventories.

Processing corn consumption is forecast at 1.6 MMT, down 200,000 metric tons from the earlier estimate, as beverage and food processors gradually switch from high fructose corn syrup (HFCS) to less expensive sugar. In addition, the perceived public concern over biotech is also putting downward pressure on imported processing corn, especially biotech corn that had previously been used to manufacture oil and HFCS.

Food and beverages manufacturers quietly used these refined ingredients since they are exempt from GM labeling because the modified protein is no longer detectable in the finished product. However, many companies have grown increasingly reluctant to use ingredients sourced from biotech corn, especially after having witnessed the public unrest surrounding the resumption of imports of U.S. beef. Some companies still using HFCS have begun to source product from China since it is reportedly derived from non-biotech corn.

In addition, the government recently announced that it would expand labeling for products containing oils and syrups derived from biotech corn starting in 2012. This labeling expansion will also put greater pressure on food and beverage manufactures to import HFCS and oil derived from non-biotech corn and/or switch to other alternatives.

Korea: Total Corn Utilization (Oct./Sept., 1,000 MT)				
Marketing Year	Feed	Processing a/	Food b/	Total
2006/07	6,914	1,856	63	8,833
2007/08	7,046	1,500	98	8,644
2008/09 c/	6,800	1,600	90	8,500

Source: Korean Feed Association (KFA), Korea Corn Processing Industry Association (KOCPIA)
a/ Used for wet and dry milling process based on imported corn.
b/ For on-farm human consumption (on-the-cob) or snack food consumed on-the-cob, as puffed kernels or as corn tea. Imported white corn for popping has been included since MY 2004.
c/ FAS Seoul forecast.

Korea: Feed Ingredient Use for Compound Feed Production (October/September, 1,000 MT)				
Items	MY 2005/06	MY 2006/07	MY 2007/08	MY 2008/09[a/]
Sub. Total Grains and Grain Substitutes	**10,118**	**10,184**	**10,132**	**10,300**
- Wheat	1,440	1,037	412	1,000
- Corn	6,510	6,914	7,046	6,800
-Barley	27	29	89	2,500
- Other Grains and Grain Substitute b/	2,141	2,204	2,585	
Others c/	**5,351**	**5,838**	**6,167**	**6,200**
Grand Total	**15,469**	**16,022**	**16,299**	**16,500**

Source: Korea Feed Association (KFA)
a/ FAS Seoul forecast.
b/ includes Tapioca, bran and gluten feed.
c/ includes vegetable protein meal, animal protein, minerals/additives, tallow, DDGS and molasses.

Korea: Compound Feed Production per Animal (October/September, 1,000 MT)			
Animal Type	MY 2006/07	MY 2007/08 a/	MY 2008/09 b/
Poultry	4,387	4,311	4,400
Swine	5,319	5,371	5,400
Cattle	5,215	5,516	5,700
Others c/	989	1,029	1,000
Total	15,910	16,227	16,500

Source: Korea Feed Association (KFA)
a/ FAS/Seoul estimates on the first 11 months data released by MIFAFF
b/ FAS/ Seoul forecast
c/ include ducks, pet food, rabbit, horse, sheep, deer, quail etc.

Imports:

The total corn import forecast for MY 2008/09 is lowered to 8 MMT, down 1.0 MMT from the previous forecast due to anticipated increases in imported feed wheat and record high ending corn stocks in MY 2007/08. MY 2007/08 carryover stocks reached a record 2.3 MMT as importers scrambled to make purchases late in the marketing year since prices were expected to continue their upward trend. The pace of corn purchases has since slowed due to the current liquidity crisis and stocks are projected to fall to 1.9 MMT in MY 2008/09.

In contrast to imports U.S. wheat, imports of U.S. corn are expected to remain strong in the face of a stronger dollar since other competitors have limited exportable supplies. With that said, the MY 2008/09 U.S. corn import estimate is revised upward to 7.0 MMT since Chinese export controls are anticipated to remain in effect for the foreseeable future. If these controls remain in place throughout MY 2008/09, imports of U.S. corn could reach 8.0 MMT for the second consecutive year.

The MY 2008/09 import estimate for U.S. feed corn is projected at 6.0 MMT. Demand for GSM for imported U.S. feed corn will remain strong under the existing economic conditions. Meanwhile, imports of U.S. food grade corn are expected to remain unchanged from last year at 1.0 MMT.

Importers have contracted for 1.6 MMT of corn deliveries from October 2008 to January 2009. Most of the contracted purchases to date are for U.S. feed corn with a price range of $255-348 per metric ton CNF. There are no contracts for Chinese corn. The remaining contracts are mainly for non-biotech corn for food processing with a price range of $365-455 per metric ton CNF.

Korea: Corn Imports
(1,000MT, Customs Cleared Basis)

Marketing Year	From World			From the U. S.			U. S. Share
	Feed	Ind.	Total	Feed	Ind.	Total	%
05/06	6,507	1,975	8,482	4,813	561	5,374	63
06/07	6,860	1,871	8,731	4,036	150	4,186	48
07/08	7,680	1,629	9,309	7,259	1,077	8,336	90
08/09 a/	6,400	1,600	8,000	6,000	1,000	7,000	88

Source: FAS Seoul
a/ FAS/Seoul forecast.

Korea: Corn Contracts by Estimated Time of Arrival (ETA)
(Unit: 1,000 MT, as of October 24, 2008)

ETA	U.S.	China	Australia	Others 1/	Total
Oct. 2008	309	0	8	0	317
Nov.	398	0	4	55	457
Dec.	331	0	7	0	338
Jan. 2009	215	0	0	275	490
Total	**1,253**	**0**	**19**	**330**	**1,602**

Source: Local Grain Traders
1/ optional origins

Korea: Corn Contracts and Prices by Purpose (Unit: 1,000 MT, CNF, as of October 24, 2008)					
	Feed		Processing 1/		
ETA	Quantity	Price	Quantity	Price	Total
Oct. 2008	255	338-348	62	365-455	317
Nov.	310	326-348	147	366-451	457
Dec.	260	319-348	78	380-420	338
Jan. 2009	435	255-314	55	380	490
Total	**1,260**		**342**		**1,602**

Source: Local Grain Traders
1/ Most of them are on non-GM 2YC basis

Corn PSD

Corn Korea, Republic of	2006			2007			2008			
	2006/2007			2007/2008			2008/2009			
	Market Year Begin: Oct 2006			Market Year Begin: Oct 2007			Market Year Begin: Oct 2008			
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan	
			Data			Data			Data	
Area Harvested	14	14	14	17	17	17	17	17	17	(1000 HA)
Beginning Stocks	1383	1608	1608	1352	1571	1571	1436	1555	2320	(1000 MT)
Production	65	65	65	84	84	84	80	80	80	(1000 MT)
MY Imports	8737	8731	8731	9100	8800	9309	7700	9000	8000	(1000 MT)
TY Imports	8737	8731	8731	9100	8800	9039	7700	9000	8000	(1000 MT)
TY Imp. from U.S.	3874	4186	4186	0	7000	8336	0	5000	7000	(1000 MT)
Total Supply	10185	10404	10404	10536	10455	10964	9216	10635	10400	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed Consumption	6914	6914	6914	7200	7000	7046	5900	7200	6800	(1000 MT)
FSI Consumption	1919	1919	1919	1900	1900	1598	1900	1900	1700	(1000 MT)
Total Consumption	8833	8833	8833	9100	8900	8644	7800	9100	8500	(1000 MT)
Ending Stocks	1352	1571	1571	1436	1555	2320	1416	1535	1900	(1000 MT)
Total Distribution	10185	10404	10404	10536	10455	10964	9216	10635	10400	(1000 MT)
Yield	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	(MT/HA)
TS=TD			0			0			0	
Comments										
AGR Number										

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Corn Import Trade Matrix

Import Trade Matrix

Country Korea, Republic of

Commodit Corn

Time Period	Oct/Sept	Units:	1,000MT
Imports for:	2006		**2007**
U.S.	4186	U.S.	8336
Others		Others	
China	3295	China	414
Brazil	946	Brazil	296
Argentina	256	India	251
Total for Others	4497		961
Others not Liste	48		12
Grand Total	8731		9309

Korea: Feed Ingredients Use for MY2006-MY2007 (1,000 MT)						
INGREDIENT	MY2006/2007			MY2007/2008		
	TOTAL	DOM 1/	%	TOTAL	DOM 1/	%
GRAINS						
CORN	6,914	15	43	7,046	2	43.2
SORGHUM	-	-	0	9	0	0.1
WHEAT	1,037	13	6	412	9	2.5
BARLEY	29	14	0	89	81	0.5
RYE	-	-	0	0	0	0.0
OATS	3	2	0	2	0	0.0
GSP/BROKEN GRAIN	67	67	0	66	66	0.4
TAPIOCA	260	4	2	477	0	2.9
LUPIN SEED	58	5	0	23	2	0.1
OTHERS	105	100	1	146	132	0.9
SUB TOTAL	**8,473**	**220**	**53**	**8,270**	**292**	**50.7**
GRAIN BY-PRODUCTS						
WHEAT BRAN	741	430	5	786	418	4.8
RICE BRAN	174	174	1	197	196	1.2
BARLEY BRAN	2	2	0	0	0	0.0
CORN BRAN	-	-	0	0	0	0.0
GLUTEN FEED	542	417	3	611	393	3.7
OTHERS	252	204	2	268	211	1.6
SUB TOTAL	**1,711**	**1,227**	**11**	**1,862**	**1,218**	**11.4**
ANIMAL PROTEIN						
FISH MEAL	26	17	0	31	24	0.2
MEAT & BONE MEAL	17	17	0	19	19	0.1
OTHERS	78	78	0	88	85	0.5
SUB TOTAL	**121**	**112**	**1**	**138**	**128**	**0.8**
VEGETABLE PROTEIN						
SOYBEAN MEAL	2,458	665	15	2,292	621	14.1
RAPESEED MEAL	333	1	2	362	2	2.2
SESAMESEED MEAL	17	17	0	16	16	0.1
PERILLA SEED MEAL	8	8	0	7	7	0.0
CORN GLUTEN MEAL	97	88	1	81	74	0.5
COTTONSEED MEAL	25	3	0	19	2	0.1
PARM KERNEL MEAL	418	8	3	446	7	2.7
COPRA MEAL	315	7	2	490	3	3.0
OTHERS	349	241	2	614	321	3.8
SUB TOTAL	**4,020**	**1,038**	**25**	**4,327**	**1,053**	**26.5**
ADDITIVES/MINERALS						
CALCIUM PHOSPHATE	111	90	1	96	79	0.6
LIMESTONE	374	374	2	380	380	2.3
SALT	58	56	0	58	58	0.4
OTHER	198	196	1	199	196	1.2
SUB TOTAL	**741**	**716**	**5**	**733**	**713**	4.5
OTHER INGREDIENTS						
TALLOW	360	328	2	343	306	2.1
MOLASSES	388	193	2	446	295	2.7
UREA	1	1	0	1	1	0.0
OTHER	207	194	1	179	170	1.1
SUB TOTAL	**956**	**716**	**6**	**969**	**772**	**5.9**
GRAND TOTAL	**16,022**	**4,029**	**100**	**16,299**	**4,176**	**100**

Source: Korea Feed Association (KFA)
1/ Domestic Products

RICE

Production:

In September, the Korean Ministry for Food, Agriculture, Forestry and Fisheries (MIFAFF) conducted a nationwide survey of 4,142 rice producers to gauge domestic rice production for 2008. Survey results indicated minimal declines in planted acreage but higher yields compared to last year. Based on these survey results, MIFAFF has revised its 2008 rice production estimate slightly upward to 4.62 million metric tons (MMT), up 5 percent from last year. MIFAFF will release its final production estimate in mid November shortly after the rice harvest is completed.

Korea: Rice Area, Yield and Production			
Crop Year	Area (1,00HA)	Yield (KG/10A)	Production (Milled, 1,000 MT)
2005	980	490	4,768
2006	955	489	4,680
2007	950	464	4,408
2008 c/	936	495	4,615

Source: Ministry of Food, Agriculture, Forestry & Fisheries (MIFAFF)
a/ MIFFAF forecast.

The government subsidizes domestic rice production through direct payments. There are two types of payments. The first is an area payment based on farm size. The second is a price support payment. Total support payments were nearly 1.0 billion won last year. Additional information on these support payments is available in the May 2008 Grain and Feed Report KS8028.

In October of this year, allegations surfaced that some government officials had fraudulently received support payments. A bipartisan investigation is underway. This incident has refocused the current administration's attention on revitalizing Korean agriculture, where more than 47 percent of farmers are over the age of 65.

Korea: Direct Payment Program for Rice Income Compensation							
Year	Area Payment (A)			Deficiency Payment (B)			Total (Billion Won) (A)+(B)
	Area (1,000 HA) 1/	Payment (Won/HA)	Total (Billion Won)	Production (1,000 MT) 2/	Payment (Won/Kg)	Total (Billion Won)	
2005	1,007	600,000	604.2	4,586	196.4	900.6	1,504.8
2006	1,024	700,000	716.8	4,637	94.2	437.1	1,153.9
2007	1,018	700,000	712.6	4,553	61.3	279.3	991.9
2008 a/	1,014	700,000	709.8	N/A	N/A	N/A	N/A

Source: FAS/Seoul estimate based on MIFAFF data
1/ Those eligible for payment include farmers, farming union corporations, agricultural corporations, or anyone producing rice on a minimum of 0.1 HA of farmland between Jan 1, 1998 and Dec 31, 2000
2/ based on the Olympic average rice yield is 4,880 Kg per hectare for 1999-2003 and actual cultivated area out of rice paddy area registered under the program.
a/ Forecasted area payment. Information on the deficiency payment for 2008 is not yet available.

In addition to the above mentioned support payments, the government also purchases rice for price stabilization purposes. Between October and December 2008, the Korean government plans to purchase 400,000 MT (milled basis) as part of the Public Storage System for Emergencies (PSSE). Of note, the planned purchased amount represents 9 percent of the 2008 rice crop estimate. Under this support program, the government purchases the rice at the current market price averaged during October – December and then later sales the rice during non-harvest periods at the new market price.

Korea: Government Rice Purchases			
Crop Year	Production(1,000 MT)	Purchase(1,000 MT)	%
2006	4,680	504	11
2007	4,408	417	9
2008 a/	4,615	400	9

Source: MIFAFF
a/ plan

Imports:
Korea imports rice as part of its WTO Minimum Market Access (MMA) agreement. Under the agreement, the United States, China, Thailand and Australia were each allocated fixed country specific quotas (CSQs). There are also several global quota allocations, which are generally limited to different brown rice varieties, short, medium, and long.

The MMA tendering process has historically started late in the year with deliveries scheduled through the first half of the coming year. The 2008 MMA tendering process is currently underway with deliveries scheduled up until June of next year. However, the intent of the MMA agreement was that these import commitments would be completed within the corresponding calendar year. In the bilateral rice consultation held in Seoul in September 2008, Korea agreed to work towards importing its 2009 import commitments before the end of the calendar year.

MY 2008/09 rice imports are conservatively forecast at 280,000 metric tons, which is roughly matches Korea's import commitment for calendar year 2008. However, MY 2008/09 imports could climb as high as 600,000 metric tons if Korea is able to complete its 2009 commitment before year's end.

The import estimate for U.S. rice for MY 2008/09 is 72,000 metric tons. This estimate could climb slightly higher depending on the redistribution of the Australian CSQ under the global quota. Australia recently notified Korea that it would not be able to fill its CSQ for the third straight year due to limited exportable supplies.

There was a noteworthy change to the 2008 MMA process resulting from high international rice prices early in 2008. In particular, an optional variety allocation under the global quota for slightly more than 20,000 metric tons (milled) was created, giving the Korean government the ability to purchase the cheapest variety of rice available on the world market. Previously, there were three variety specific allocations under the global quota for short, medium and long grain rice.

Thailand was awarded the optional variety allocation as expected given its price competitiveness. The contract was awarded for $752 per metric ton CIP (bulk). If international rice prices remain strong or increase any over the coming months, Korea might consider expanding the size of the optional variety allocation, which would limit the future growth of the medium grain allocation. In effect, this could reduce future opportunities for U.S. rice since the United States has historically filled the entire medium grain allocation.

2008 MMA Tendering Process

The state trading arm of the Korean government, the Korea Agro-Fishery Trade Corporation (aT), has already purchased 102,690 metric tons, about 36 percent of the entire 2008 MMA import commitments.

The tendering process, however, is behind where it normally is at this time of year since Chinese suppliers have failed to participate since their government has yet to issue export licenses. There is a strong incentive for China to issue these licenses in a timely manner since Korea is the largest market for Chinese rice. In 2008 (Jan-Aug), Chinese rice exports to Korea totaled 162,000 tons, valued at $70 million.

The tenders for the U.S. CSQ are nearly finished, with only the 15,191 ton allocation for #1 grade table rice remaining. The price for the #1 allocation is expected to be slightly higher than the contracted #3 table rice allocation, priced at $1,151 per metric ton CFR. The United States was awarded the nearly 20,000 metric ton global quota for brown medium grain rice at a price of $1,084 per metric ton CIP in container. The contract price for U.S. CSQ brown rice has ranged from $1051-1066 per metric ton CIP bulk (40 kg bags). In comparison, Thai brown rice prices have ranged from $596-747 per metric ton CIP bulk.

See tender results in Appendix for additional details.

Korea: MMA Rice Allocations
(MT, milled rice)

Calendar Year	Total	Global Quota (MFN)	Country Specific Quota (CSQs)				
			Total	USA	China	Thailand	Australia
2005	225,575	20,347a/	205,228	50,076	116,159	29,963	9,030
2006	245,922	49,724b/	196,198	50,076	116,159	29,963	c/
2007	266,270	70,072d/	196,198	50,076	116,159	29,963	c/
2008	286,617	81,389	205,228	50,076	116,159	29,963	9,030

Source: Ministry of Food, Agriculture, Forestry & Fisheries (MIFAFF) and aT
a/ Global quota allocations: United States 6,104 MT; China 11,191 MT; and Thailand 3,052 MT.
b/ Global quota allocations: United States 13,025 MT; China 23,080 MT; and Thailand 13,619 MT.
c/ Australia CSQ allocation converted to MFN due inability to fulfill quota due to drought conditions.
d/ Global quota allocations: United States 21,643MT; China 32,352MT; and Thailand 16,077 MT.

Korea: Global Quota Allocation per Rice Variety
(MT, milled rice)

	Medium Grain	Short Grain	Long Grain	Optional Variety1/	Total
2005	6,104	11,192	3,052	na	20,347
%	30	55	15	na	100
2006	13,022	21,568	6,104	na	40,694
%	32	53	15	na	100
2007	19,534	32,352	9,156	na	61,042
%	32.0	53	15	na	100
2008a/	19,534	32,352	9,156	20,347	81,389
%	24.0	39.8	11.2	25.0	100

Source: Ministry for Food, Agriculture, Forestry & Fisheries (MIFAFF)
1/ short, medium or long grain rice
a/ plan

Korea: Table Rice Allocation Based on CSQ (MT, milled rice)					
	USA	China	Thailand	Australia	Total
2005	5,504	12,767	3,293	993	22,557
%	24.4	56.6	14.6	4.4	100
2006	10,414	21,500	1,000	1,515a/	34,429
%	30.3	62.4	2.9	4.4	100
2007	14,193	29,626	2,000	2,109b/	47,928
%	29.6	61.8	4.2	4.4	100
2008	18,989	39,292	2,000	2,774	63,055
%	30.1	62.3	3.2	4.4	100

Source: Ministry for Food, Agriculture, Forestry & Fisheries (MIFAFF)
a/ Chinese #3 short grain was awarded under global quota converted from Australian CSQ.
b/ U.S. #1 medium grain was awarded under global quota converted from Australian CSQ.

Korea: Processing Rice Allocation Based on CSQ (MT, milled rice)					
	USA	China	Thailand	Australia	Total
2005	44,572	103,392	26,670	8,037	182,671
%	24.4	56.6	14.6	4.4	100
2006	39,662	94,659	28,963	7,515	170,799
%	23.2	55.4	17	4.4	100
2007	35,883	86,533	27,963	6,921	157,300
%	22.8	55.0	17.8	4.4	
2008a/	31,087	76,867	27,963	6,256	142,173
%	21.9	54.1	19.6	4.4	

Source: Ministry for Food, Agriculture, Forestry & Fisheries (MIFAFF)
a/ plan

Rice PSD

Rice, Milled Korea, Republic of	2006			2007			2008			
	2006/2007			2007/2008			2008/2009			
	Market Year Begin: Nov 2006			Market Year Begin: Nov 2007			Market Year Begin: Nov 2008			
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan	
			Data			Data			Data	
Area Harvested	955	955	955	950	950	950	936	943	936	(1000 HA)
Beginning Stocks	815	815	815	690	690	690	729	729	712	(1000 MT)
Milled Production	4680	4680	4680	4408	4408	4408	4500	4500	4600	(1000 MT)
Rough Production	6324	6305	6306	5962	5962	5962	6081	6081	6216	(1000 MT)
Milling Rate (.9999)	7400	7423	7422	7393	7393	7393	7400	7400	7400	(1000 MT)
MY Imports	242	255	255	266	266	249	285	287	280	(1000 MT)
TY Imports	265	242	242	270	270	257	290	290	290	(1000 MT)
TY Imp. from U.S.	0	65	65	0	72	71	0	80	72	(1000 MT)
Total Supply	5737	5750	5750	5364	5364	5347	5514	5516	5592	(1000 MT)
MY Exports	161	161	161	0	0	0	0	0	0	(1000 MT)
TY Exports	161	161	161	0	0	0	0	0	0	(1000 MT)
Total Consumption	4886	4899	4899	4635	4635	4635	4540	4540	4540	(1000 MT)
Ending Stocks	690	690	690	729	729	712	974	976	1052	(1000 MT)
Total Distribution	5737	5750	5750	5364	5364	5347	5514	5516	5592	(1000 MT)
Yield (Rough)	7.0	7.0	7.0	6.0	6.0	6.0	6.0	6.0	6.0	/HA)
TS=TD			0			0			0	
Comments										
AGR Number										

Comments To Post

Appendix

As of 10/17/08

Korea: 2008 MMA Rice Tender Schedule and Results

(Milled Rice, Metric Ton)

No.	Bidding Date	Specs (contracted date)	Quantity, milled (brown)	Delivery (discharge)	Origin (Awarded Price: US$/MT)	Milling Type of import	Quota Type
1	8/19/08	Optional variety (8/26/08)	**20,347 (22,608)**	By 10/31/08 (Gunsan)	752.00 CIP from Thai Capital Crop Co/ Thailand	Brown	Global
2	8/26/08 9/12/08 10/8/08	SG #3	32,352 (35,947)	By 1/31/09 Donghae (10,000) Incheon (10,000) Mokpo (15,947)	na		
		MG #3 (9/22/08)	**19,534 (21,704)**	By 1/31/09 Busan or Masan In container	1,083.70 CIP from Connell USA		
		LG #3 (8/28/08)	**9,156 (10,173)**	By 11/30/08 Gunsan	747.00 CIP from Lansheng Daewoo/ Thailand		
3	9/18/08 10/8/08	SG #1	23,575	By 4/30/2009	China	Milled In container	CSQ
		SG #3	15,717	By 6/30/2009			
		MG #1	15,191	By 5/31/2009	USA 1/		
		MG #3 (9/26/08)	**3,798**	By 6/30/2009	1,151.34 CFR from ADM/USA		
		LG #1	2,000	By 1/31/2009	Thailand		
		MG #1	1,387	By 4/30/2009	Australia		
		MG #3	1,387	By 5/31/2009			
4	10/14/08	SG #3	27,000 (30,000)	By 1/31/2009 Gunsan(15,000) Inchon(10,000) Masan(5,000)	China	Brown	CSQ
		MG #3 (10/28/08)	**18,000 (20,000)**	By 1/31/2009 Donghae	1,066.55 CIP from FRC/ USA		
		LG #3 (10/28/08)	**13,500 (15,000)**	By 1/31/2009 Inchon	628 CIP from Chaiyaporn Thailand		
		MG #3	6,256 (6,951)	By 1/31/2009 Busan or Masan	Australia		
5	10/22/08	SG #3	27,000 (30,000)	By 2/28/2009 Ulsan(15,000) Gunsan(15,000)	China	Brown	CSQ
		MG #3 (11/3/08)	**13,087 (14,541)**	By 2/28/2009 Inchon	1,051.32 CIP from ADM/USA		
		LG #3 (11/3/08)	**14,463 (16,070)**	By 2/28/2009 Yeosu	596 CIP from Asia Golden Rice/ Thailand		
		SG #3	22,867 (25,408)	By 3/31/2009 Inchon	China		
Total			286,617				

Source: Korea Agro-Fishery Trade Corporation (aT)

Note: Milling rate for milled rice is applicable at 90 percent of brown rice, and vice versa.
LG denotes long grain, SG short grain and MG medium grain, respectively.
CIP: Carriage and insurance Paid to—Commodity + Ocean Freight + Insurance (about 0.33% of CNF) + Unloading Charge (about US$20/MT) + Customs Clearance Fee (about one million Korean Won)
CFR: Cost and Freight— Commodity + Ocean Freight

1/ Allocated quantities per delivery period plan for U.S. table rice of 18,989MT

Commodity	Total bidding quantity (MT)	Quantity (MT)	Delivery Period Plan
U.S. #1 Medium Grain	15,191 (less than 18 partial shipments)	2,634	By 12/31/2008
		3,512	By 1/31/2009
		2,634	By 2/28/2009
		4,390	By 3/31/2009
		2,021	By 4/30/2009
U.S. #3 Medium Grain	3,798 (less than 5 partial shipments)	1,756	By 5/31/2009
		2,042	By 6/30/2009
Total	18,989		

Korea: Allocation of the MMA for 2005-2014 (MT, milled rice)							
Calendar Year	Total	Global Quota	Country Specific Quota (CSQs)				
			Total	USA	China	Thailand	Australia
2005	225,575	20,347a/	205,228	50,076	116,159	29,963	9,030
2006	245,922	49,724b/	196,198	50,076	116,159	29,963	c/
2007	266,270	70,072d/	196,198	50,076	116,159	29,963	c/
2008	286,617	81,389	205,228	50,076	116,159	29,963	9,030
2009	306,964	101,736	205,228	50,076	116,159	29,963	9,030
2010	327,311	122,083	205,228	50,076	116,159	29,963	9,030
2011	347,658	142,430	205,228	50,076	116,159	29,963	9,030
2012	368,006	162,778	205,228	50,076	116,159	29,963	9,030
2013	388,353	183,125	205,228	50,076	116,159	29,963	9,030
2014	408,700	203,472	205,228	50,076	116,159	29,963	9,030

Source: MIFAFF and Korea Agro-Fishery Trade Corporation (aT)
a/ Global quota allocations: United States 6,104 MT; China 11,191 MT; and Thailand 3,052 MT.
b/ Global quota allocations: United States 13,025 MT; China 23,080 MT; and Thailand 13,619 MT.
c/ Australia CSQ allocation converted to MFN due inability to fulfill quota due to drought conditions.
d/ Global quota allocations: United States 21,643MT; China 32,352MT; and Thailand 16,077 MT.

Korea: Import Schedule of Table Rice (Milled Rice, MT)			
Calendar Year	Total	Table Purpose	Rate of Table Rice (%)
2005	225,575	22,557	10
2006	245,922	34,429	14
2007	266,270	47,928	18
2008	286,617	63,055	22
2009	306,964	79,810	26
2010	327,311	98,193	30
2011	347,658	104,297	30
2012	368,006	110,401	30
2013	388,353	116,505	30
2014	408,700	122,610	30

Source: Ministry for Food, Agriculture, Forestry & Fisheries (MIFAFF)

Korea: Rice allocation per Country on the buying tender under MMA (Milled basis, MT)							
Calendar Year	MMA Quota	U.S.A.	China	Thailand	India	Vietnam	Australia
1995	51,307	0	0	0	51,307	0	0
1996	64,134	0	64,134	0	0	0	0
1997	76,961	0	58,961	18,000	0	0	0
1998	89,787	0	83,478	6,300	0	0	0
1999	102,614	0	80,114	13,500	0	9,000	0
2000	102,614	0	84,614	18,000	0	0	0
2001	128,268	27,000	63,000	18,000	0	0	20,268
2002	153,921	36,000	95,421	22,500	0	0	0
2003	179,575	49,500	103,075	27,000	0	0	0
2004	205,228	58,500	117,028	29,700	0	0	0
2005	225,575	56,179	127,351	33,015	0	0	9,030
2006	245,922	63,101	145,343	37,478	0	0	0
2007	266,270	71,719	148,511	46,040a/	0	0	0
Total	1,892,176	361,999	1,171,039	269,533	51,307	9,000	29,298

Source: FAS/Seoul
a/ Thai suppliers delivered only 8,470 MT of the total contracted amount